

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7808

BILL NUMBER: SB 604

DATE PREPARED: Jan 13, 1999

BILL AMENDED:

SUBJECT: Income tax credits for property taxes and rent.

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FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(173,600,000)	(173,600,000)
State Expenditures			
Net Increase (Decrease)		(173,600,000)	(173,600,000)

Summary of Legislation: This bill provides a refundable credit against the state adjusted gross income tax for an individual taxpayer if the property taxes paid by the taxpayer during the taxable year or an amount equal to 10% of the rent paid by the taxpayer during the taxable year exceed an amount equal to 3% of the taxpayer's Indiana adjusted gross income. The credit is phased out for taxpayers with an adjusted gross income of more than \$20,000 and the credit is phased out completely for taxpayers with adjusted gross incomes of \$55,000 or more.

Effective Date: January 1, 1999 (retroactive).

Explanation of State Expenditures: The Department of Revenue (DOR) will have additional administrative expenses associated with revising tax forms, instructions and computer programs to accommodate this new tax credit. These expenses will come from their existing budget. The taxpayer must provide the Department documentation of property taxes or rent paid by the taxpayer during the year.

Explanation of State Revenues: This bill provides an income tax credit for property taxes and rent paid by a taxpayer if this amount exceeds 3% of their adjusted gross income. For taxpayers who have an adjusted gross income of \$20,000 or less, the credit is equal to the amount of property taxes paid or 10% of the rent paid during the taxable year which exceeds 3% of their adjusted gross income. This credit is phased out for

taxpayers with an adjusted gross income between \$20,000 and \$55,000. Taxpayers whose adjusted gross income exceeds \$55,000 would not qualify for the credit.

If the tax credit exceeds the taxpayers tax liability they may carry over the credit for up to 15 years or it may be refunded. This credit applies to tax years beginning January 1, 1999 and will result in a revenue loss beginning in FY 2000.

Using data from the DOR Individual Income Tax Statistics and the Census Bureau, an estimate of the number of owner-occupied homes and rental units categorized by property tax or rent paid and income was prepared. Using this data, it is estimated that approximately 298,000 taxpayers who are homeowners within the income ranges specified by the credit will get an average credit of \$465. There would also be approximately 129,000 renters within the eligible income range who could get an average credit of \$271.

It is estimated that this tax credit will result in a revenue loss of \$173.6 M annually. It is possible that the amount of revenue loss will decline slightly in years after 1999 if the growth of individual income increases at a greater rate than property taxes/rent. If property taxes and rent increase at a rate greater than individual income, the tax credit may grow and result in a slightly larger loss of revenue.

Individual income tax is deposited in the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Revenue.

Local Agencies Affected:

Information Sources: Department of Revenue, Individual Income Tax Statistics; U.S. Bureau of the Census.